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How financial advisors can assist clients in successfully navigating career changes
By Rob Burgess
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The potential of an impending job change, whether voluntary or involuntary, is on the minds of many employees these days.

The share of people who think they're likely to be unemployed in the next four months reached a record high in a recent Federal Reserve Bank of New York survey of consumer expectations that dates back to 2014.

Financial advisors who have experience helping their clients successfully move into a new phase of their professional lives say figuring out what is important can help clarify the steps they need to take to prepare for this transition.

Figure out what is important
Amy King, founder of Instar Financial Planning in Fallston, Maryland, began her military career in the U.S. Naval Reserves in 1994 and served over 22 years on active duty as a U.S. Army officer. After retiring in 2019, she became a financial planner. Most of her clients are military service members preparing to transition to new careers, so her work typically includes preparing for these transitions. She said that while every transition is unique, some principles apply universally.

"Know what you want your life to look like after the career change. It's not enough to want to leave. Understand your goals and why," she said. "Select a job that aligns with your ideal life, not just the highest-paying or first offer. Anticipate the transition's emotional and mental impacts, including potential geographical moves, shifts in family roles and how your current role is tied to your sense of identity."

David Flores Wilson, the managing partner of Sincerus Advisory in New York, said because most of his clients are in their 30s and 40s, career transitions are a major focus. One exercise they do is to lay out 50 values — like meaningful work, family and charitable giving — and have them identify the 10 most important values and then narrow it down to their top five.

"As plans to transition to a different career become more tangible, we're sure to update financial projections and run various income scenarios for what likely will be a decrease in earnings over the near term," he said.

Wilson said they have encountered this with clients leaving a large technology company, like Meta or Google, to pursue founding a startup they are passionate about.

"The projections can alleviate stress by giving them clarity around how feasible a lower income level is and what sort of expense run rate it takes to still have financial freedom while pursuing the change," he said.

Establish an emergency fund

Andrew Fincher, a financial advisor with VLP Financial Advisors in Vienna, Virginia, said typically, if clients are still working, they make sure they have an appropriate emergency fund as well as all insurance and benefits in place to navigate any such change.

"It's certainly easier when the client is planning for a transition because we can plan a strategy to navigate," he said. "If it's sudden, we hold a meeting to discuss their cash reserves, if any money needs to be withdrawn from their portfolio to supplement, and then discuss any paperwork needed such as to maintain COBRA insurance. Once they land their new job, we review all their new benefits and make sure they are enrolled for each."

King said it's important to fully fund an emergency reserve of between six to 12 months, saving enough to cover a potential pay gap and doubling the estimate.

"Adjust your spending in anticipation of any income changes," she said. "Understand changes in benefits and plan for any gaps. Assess the impact on long-term goals like retirement and education, especially if leaving a pension behind."

Similarly to Wilson, Rebecca Conner, founder and lead planner at SeedSafe Financial in Bainbridge Island, Washington, works with technology professionals looking to get out of the grind and move toward a fulfilling second act. That financial planning tends to start, and end, with a spending plan, said Connor. If the client is willing to wait a few years, they will transition to a sustainable spending budget based on their future income and make sure they are ready for what that change will entail.

"Then, we will use the additional free cash flow to take advantage of employee benefits we may not have in the future to bolster their long-term financial plan," she said. "For example, some companies offer an education budget that isn't tied to their particular role."

Sincerus Advisory has a network of business coaches, career coaches and life coaches that specialize in working with people going through transitions to help clients in the process, said Wilson. They also introduce a salary negotiation consultant when appropriate.

"When these transitions happen suddenly, we do our best to sprint to reassess

their goals and values, comment on any severance agreements, recommend an employment attorney if necessary, have discussions on whether to rightsize their emergency fund and quickly analyze their projection models," he said.

Consider upcoming compensation changes

Andrew Damcevski, founder and financial planner at AJD Wealth Management in Cincinnati, Ohio, said in preparing for a career change, it's important for clients to understand their current income, lifestyle and spending and how it relates to their future income.

"The more clarity we have on future roles and the income potential, the better we can plan," he said.

For example, Damcevski said they often help attorneys who work in large law firms plan for their exits into an in-house counsel roles, usually at a lower initial salaries. He said they try to minimize the shock by saving for "income replacement," or having a well-funded savings account they can pull from monthly to supplement take-home pay with the new reduced earnings.

"This isn't a permanent solution, but generally speaking, lifestyle spending follows income," he said.

If a client is laid-off and wants to transition now, Conner said they immediately assess their "base spending" number, see where they are on cash and liquid investments and then explore how much time is available to implement the next steps toward a career change.

"We do this routinely with clients as they hit 'financial flexibility' through an IPO or company tender offer," she said. "We like to ask, 'Now that we have this additional investment cushion, what is possible?' Through exploring the life side deeper with clients, we can learn what they value in their professional careers and understand the purpose that drives them. Then we tailor the financial plans around how to get closer and closer to that fulfilling life. We've learned that leading with life planning is the best way to help clients obtain their financial goals and lead a good life for each."

Uziel Gomez, the founder of Primeros Financial in Los Angeles, said when preparing clients for a career change, it's important to carefully review their compensation structure and consider its long-term trajectory. This involves examining their base salary, fringe benefits and any additional compensation, as well as nonfinancial factors such as job fulfillment.

"Meeting with others in the new industry can provide valuable insights into the profession and help clients make informed decisions," he said.

Updating the spending plan is also crucial, especially if the new job comes with a pay reduction, said Gomez.

"I've seen that it's easy to say you will take a pay cut, but it's another thing entirely to adjust your lifestyle accordingly," he said. "I strongly suggest simulating the financial impact of this pay cut before making the switch. This simulation will help clients understand the lifestyle adjustments they must make and ensure they are prepared for the change."

King said the biggest lesson she has learned is that emotional and mental adjustments are often as challenging as financial changes.

"Handling the emotional aspect well for those facing unexpected transitions can lead to better overall outcomes, including better financial outcomes," she said.